

From: Abid Sheikh [Abid.Sheikh@energywatch.org.uk]
Sent: 23 July 2007 12:26
To: Colin Green
Cc: Carole Pitkeathley; Ben Wilson
Subject: Long-term Electricity Network Scenarios - initial thoughts and workshop invitation

Importance: High

Dear Colin,

Many thanks for the opportunity to respond to the points raised in the open letter of 15 June 2007. energywatch has the following points to make and we are happy for you to publish this response on the Ofgem website. Unfortunately we are unable to attend the workshop planned to discuss these issues on 17 August but we look forward to our response being taken into consideration when Ofgem gives further thought to these matters in due course.

As you are aware, all consumers expect the delivery of safe, secure and reliable energy networks in an efficient and economic manner. Please note that we refer to **energy** networks, as gas and electricity supplies need to be delivered in accordance with a consistent and holistic approach to maximise the efficient use of the resources which consumers ultimately pay for, as well as value for money. As gas generation plays, and will continue to play, a significant role in meeting electricity demand, network planning must be robust and resilient to the delivery of gas. It is the responsibility of the companies which own and operate the monopoly transmission and distribution networks, through their licence obligations, and the responsibility of Ofgem, through the application of effective monitoring and enforcement action, to deliver on consumers' expectations. The current debate takes place in the context of various government objectives, highlighted in the Energy White Paper, to ensure long-term energy security while also encouraging all market participants and consumers to contribute to a sustainable energy future through more efficient use of existing resources.

We agree that consumers can benefit from improvements in long-term energy planning and that scenario planning of the type envisaged should assist in this process. We recognise the difficulties that exist in delivering more accessible energy supplies to consumers as the GB energy mix is subject to:

- the dynamics of changes in fuel mix – the rundown of nuclear and increased use of imported gas in generation; and
- the geography of future energy supply and demand – large renewable generation may need to be situated much further from demand but small-scale generation could become increasingly localised.

We support Ofgem's intention to build a number of scenario models based on existing network models and taking into account changes which are already planned for. We believe that 'sunk' elements for which costs are already being incurred ought to form the baseline from which future planning can be undertaken. We also support the development of the scenario models by various academic institutions so long as this creates a consistent approach to the work undertaken.

We believe that consumers can be effectively served through the development of the most accessible form of networks for their needs. There is a recognised tension between increasing localised networks – to connect distributed generation and microgeneration solutions which may assist consumers' energy efficiency – and large-scale projects connecting large renewable and other generation at some distance from demand, including offshore connections. This must be built into the development of scenarios to optimise the resilience, flexibility and robustness of outcomes.

Finally, we would caution that long-term scenario planning carries the obvious hazards of increasing uncertainty and speculation the further into the future that outcomes are modelled. This may be less of an issue for network planning which already envisages long timescales in terms of project development, management and operation. However, scenario modelling must take into account the risks and costs of stranded assets which will lie with future energy consumers. This is why resilience and flexibility in development should be balanced against other relevant factors such as costs. We believe that competition is capable of delivering lower cost networks but only where the stranding risk is minimised.

We hope these points are of assistance to Ofgem as this project proceeds. We will seek to engage with Ofgem on these issues while energywatch remains in existence, ensuring that consumers' concerns are reflected in the outcomes.

If you wish to discuss these points, please don't hesitate to contact either Carole Pitkeathley on 0191 221 2072 or myself.

Regards

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